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No. 03-1138

IN THE
Supreme Court of the United States

TURN-KEY-TECH, LLC,
Petitioner,
v.

NATIONAL FILM LABORATORY, INC.
(D/B/A CREST NATIONAL OPTICAL MEDIA), ET AL.,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF FOR PETITIONER

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES ii

ARGUMENT:

I. Respondents are wrong in contesting the *sua sponte* nature of the Federal Circuit's holding 1

II. Each claim limitation of a patent has legal importance, and it is inappropriate for the Federal Circuit to ignore proper boundaries of judicial practice in making *sua sponte* claim constructions 6

III. This case appropriately raises whether claim construction is a mixed question of law and fact 8

IV. The issue of *sua sponte* decisionmaking is of broad significance 10

CONCLUSION 10

TABLE OF AUTHORITIES

Page

CASES

Carducci v. Regan, 714 F.2d 171 (D.C. Cir. 1983) 6

Cyber Corp. v. FAS Techs., Inc., 138 F.3d 1448 (Fed. Cir. 1998)..... 8, 9

Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996)..... 6, 9

Wisniewski v. United States, 353 U.S. 901 (1957)..... 9

Respondents do not dispute that the Federal Circuit routinely and improperly engages in *sua sponte* claim construction. Rather, respondents seek to cloud the need for this Court's review by obscuring what the Federal Circuit actually held. A fuller explanation of the patent claims demonstrates that this case is a proper vehicle to rein in the Federal Circuit's improper *sua sponte* practices.

I. Respondents are wrong in contesting the *sua sponte* nature of the Federal Circuit's holding. In arguing that the court below did not issue a *sua sponte* ruling, respondents never contest that the District Court unequivocally based its ruling on paragraph (d),[1] and that neither side raised or argued the relevance of paragraph (e) in the Federal Circuit. (App. 24a-32a; Plaintiff-Appellant Br. 2; Defendants-Appellees Br. 1). Respondents assert that the Federal Circuit in fact decided this case on two alternate bases of non-infringement arising out of paragraph (d): the phrases "separating . . . to create a substantially enclosed guide conduit" and "leading in a direction substantially perpendicular to said predetermined direction" that limit the description of the guide conduit. (Opp. 5). A careful reading of the Federal Circuit opinion, informed by an understanding of how respondents' technology infringes petitioner's patent, however, reveals that the Federal Circuit's decision rested on its *sua sponte* consideration of paragraph (e) of the claim, which was neither addressed by the District Court below nor presented by the parties on appeal. But for this reliance on a *sua sponte* claim construction, the Federal Circuit would have been obliged to reverse the District Court's summary judgment ruling. Having injected *sua sponte* its own misinformed notions about the relevancy of paragraph (e), the Federal Circuit denied petitioner's

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[1] As the District Court stated, the "[respondents] focus upon Claim 1(d) in the instant motions for summary judgment." (App. 24a). Respondents likewise recognized in their reply brief in support of summary judgment that "[o]nly limitation (1)(d) is at issue." (Reply Mem. of Various Defendants at 2 n.2 (filed Apr. 22, 2002)).

substantial rights to fair notice and an opportunity to present further factual material that would control whether the District Court had erred.

A. Although resolving the issue presented in the petition does not require this Court to understand the patented technology, respondents have sought to confuse the Court about the purport of the Federal Circuit's judgment by introducing two aspects of paragraph (d) that require further elaboration of the technology. The patent in question involves a manufacturing process using a unique method to remove a plastic article such as a compact disc (CD) from a mold without fully opening the mold. The disc is removed through a substantially enclosed guide conduit, which is created as the mold parts separate.[2] Under the patent, while the mold parts are separating and forming the guide conduit, the disc is also being *simultaneously* moved into the emerging guide conduit, such that by the time the mold parts are separated, the disc is already positioned within the fully created guide conduit ready for transport. The patent claims describe the "guide conduit" in paragraph (d), while this step of moving the disc into the emerging guide conduit is claimed in paragraph (e) as "ejecting the plastic product into said guide conduit." The disc is then transported through the guide conduit in an enclosed environment free of outside contaminants.

On appeal, Turn-Key challenged the District Court's erroneous conclusion that respondents' accused CD-making mold does not use a "guide conduit" as defined in paragraph (d) of the patent claims and thus does not infringe Turn-Key's patent. The District Court had too narrowly interpreted the term "guide conduit" and found that the cylindrical eight-millimeter-thick space (referred to as

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[2] *See* App. 76a. Figure 2 on that page shows the mold closed, with the number 5 being approximately where the liquid plastic is injected into the mold to create the article. Figure 3 (on App. 76a) shows the mold separating so that the article can be removed from the mold. The space represented by the number 7 is the guide conduit.

the "cavity" by the Federal Circuit) created as the mold parts separate in respondents' device did not meet its narrow definition of "guide conduit." Thus, Turn-Key argued that, if the Federal Circuit rejected the District Court's erroneous definition of "guide conduit" of paragraph (d), then this eight-millimeter-thick "cavity" would require reversal of the non-infringement judgment.

The Federal Circuit agreed with petitioner that the District Court's opinion erred in narrowly defining "guide conduit" under paragraph (d). (App. 4a) ("We hold that the district court erred in its interpretation of guide conduit."). The Federal Circuit correctly determined – as petitioner had argued – that paragraph (d) defines a "guide conduit [a]s simply a passageway through which a plastic product is moved." *Id.* The court specifically rejected the District Court's "definition" of paragraph (d) because it "attributes a function to the guide conduit, namely that it *direct the material's motion.*" *Id.* (emphasis added).

Respondents do not feature that language in the court's opinion, which is critical to understanding why the paragraph they do highlight can be understood only as a gloss on the patent informed by an erroneous understanding of how paragraph (e) – which was not briefed by the parties or argued save for the few questions posed at oral argument in rebuttal – tainted the Federal Circuit's decision.

The long paragraph at App. 5a is the pivotal paragraph where the court injected its *sua sponte* understanding of paragraph (e) of the claim into its ruling that a summary judgment of non-infringement was proper. In the paragraph's topic sentence, the court stated that "the CD-94 mold still does not have a guide conduit *as defined by the claims.*" (App. 5a) (emphasis added). The Federal Circuit thus indicated that it was no longer limiting itself to the construction of the term "guide conduit" as found in paragraph (d), but rather that it had *sua sponte* identified *other* claim limitations that the accused device did not infringe. Those other limitations rested on a flawed understanding of paragraph (e)'s relationship to paragraph (d).

B. Respondents wrongly assert (Opp. 5-6) that the Federal Circuit's discussion of the "separating . . . to create" and "leading in a direction substantially perpendicular" limitations are "alternate" grounds for affirmance. With respect to the "separating . . . to create" limitation, the Federal Circuit held that the "cavity" is "created by the **separation** of the mold parts." (App. 5a) (emphasis added).[3] The very next sentence shows that the court held that the "cavity" is *not* a "guide conduit" because of its interpretation and application of paragraph (e). *Id.* The court erroneously interpreted paragraph (e) believing that the "ejection" could not occur simultaneously with the separation of the mold parts that causes the guide conduit "cavity" to be formed. (*See* App. 5a) (explaining that, because paragraph (e) requires ejection "into said guide conduit" and the product is "already in the cavity upon separation," the product must still be ejected from the "cavity" into the guide conduit and, thus, the "cavity" and the guide conduit cannot be the same).[4] Yet such simultaneous ejection and separation – common in the industry given its time-saving benefits – is how the patent

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[3] The court's statement that "[t]o the extent that there is a passageway through which a plastic product is moved, that passageway is not formed by '[s]eparating the two mold parts' as required by the claims" (App. 5a) was not a reference to the "cavity," but to the discharge chute. The discharge chute was an additional structure appended to the cavity of the accused device that Turn-Key argued could constitute an additional leg of the guide conduit. Turn-Key emphasized below that, with or without the additional leg of the discharge chute, the eight-millimeter-thick cavity satisfies paragraph (d)'s limitations.

[4] In the final two questions of oral argument, Judge Linn expressed his belief that the dispositive question before the Federal Circuit was the "ejection" step of paragraph (e):

> Judge Linn: Again, turning to **limitation (e)** in claim 1 it says ejecting the plastic product into said guide conduit. But in that hypothetical, the plastic product would be ejected out of the guide conduit.
>
> Judge Linn: **But the question before us** is that what the claim says? The **claim says ejecting** the plastic product into said guide conduit not out of.

describes the "ejection" step of the invention. Petitioner never had an opportunity to explain how the court's *sua sponte* belief that the action of paragraph (e) can only occur after paragraph (d) is contrary to every description of the invention in the patent. The court used that same reasoning to juxtapose other language from paragraph (d) involving the perpendicular movement of the article as a way to explain why the "cavity" created by the separation of the mold parts did not satisfy the "guide conduit" definition. *Id.* (explaining erroneously that "[i]t is not until the product is [ejected] in a perpendicular direction that it enters the guide conduit"). The court's *sua sponte* interpretation of the "ejection" step of paragraph (e) results in the paradox that someone can practice the invention exactly as taught in the patent, but not infringe the patent.

The Federal Circuit's holding is entirely based on an erroneous view of the non-disputed "ejection" step of paragraph (e). The court found that the "cavity" satisfied the "separating . . . to create" limitation of paragraph (d), and merely restated the "ejection" requirement of paragraph (e) when discussing the "perpendicular" limitation of paragraph (d). Thus, contrary to respondents' assertion, the court below ruled that the "cavity" of the accused device was not a guide conduit because of its interpretation of paragraph (e), not the "separation" or "perpendicular" limitations of paragraph (d). But for its *sua sponte* consideration of the timing of the "ejection" step of paragraph (e), the court provided no basis to affirm the District Court's holding that the "cavity" structure of the accused device does not fit the definition of "guide conduit."

The Federal Circuit's *sua sponte* identification and interpretation of the "ejection" step of paragraph (e) governed the outcome of this appeal. Failure to self-enforce the requirement that the court limit itself to the issues presented by the parties ultimately deprived the Federal Circuit "in substantial measure of that assistance of counsel which the system assumes – a deficiency that [the court] can perhaps supply by other means, but not with-

out altering the character of our institution." *Carducci v. Regan*, 714 F.2d 171, 177 (D.C. Cir. 1983).

II. Each claim limitation of a patent has legal importance, and it is inappropriate for the Federal Circuit to ignore proper boundaries of judicial practice in making *sua sponte* claim constructions.

A. Respondents belittle Turn-Key's position as suggesting that courts should "slavishly follow the position of one or another party." (Opp. 11). Although appellate courts may properly supplement counsel's contentions with their own analysis on an issue, this was not such a situation. *See Carducci*, 714 F.2d at 177. The Federal Circuit here stepped beyond the boundaries of routine appellate practice to explore an issue never presented by counsel or even considered germane to infringement.

B. Respondents also suggest that the Federal Circuit's conduct here amounted to nothing more than an effort to construe the term "guide conduit" in the context of the surrounding words of the claim. (Opp. 7-8). Not so. In its discussion of paragraph (e), the court below indicated that it was no longer construing the term "guide conduit"; it had completed that task in the prior paragraph and was now expressing its opinion that the accused device did not meet *other* claim elements, particularly in light of the "ejection" step of paragraph (e). (App. 5a). It is one thing to construe a term to "comport[] with the instrument as a whole," *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 389 (1996), and quite another to *sua sponte* construe a claim term never previously identified by either party as having any bearing on the infringement dispute at hand.

C. Respondents' arguments cavalierly disrespect the importance of the individual claim elements and contravene the importance that patent holders and patent practitioners alike assign to each and every claim element that, when recited together, define the bundle of intellec-

tual property rights that a patent is intended to protect.[5] Just like a contract contains terms that delineate the boundaries of the parties' agreement, a patent contains terms, commonly referred to as claim elements or claim limitations, that, when arranged in the manner outlined in the patent, describe the outer boundaries of the invention that is afforded a twenty-year monopoly by the government. Any process or method that falls within those boundaries is deemed to infringe the patent. Therefore, when accusations of infringement are made, identifying the boundaries of the patent is the foremost concern of both the patent holder and the accused infringer.

Each claim limitation, with a limitation typically consisting of a word or a phrase, provides a separate and distinct boundary of the invention. Thus, with a tweak of a word, an accused infringer can exclude its process from the patent's coverage and avoid exposure to liability sometimes mounting into the millions of dollars. Respondents and Turn-Key alike vigorously argued over the interpretation of the term "guide conduit" as both parties saw that as the governing issue for infringement. Thus, once parties identify the claim limitation or limitations germane to the infringement dispute, as well as any patent validity dispute, legal disputes center on the meaning of those limitations and their consequences on the patent.

None of respondents' references contests that the litigation in both courts below focused on the meaning of "guide conduit" as described in paragraph (d). Paragraph (e) and the step of ejecting into the guide conduit was never the focus of this case. Given the weight assigned to each claim limitation, the Federal Circuit had no basis for identifying and construing *sua sponte* a claim element that will affect the boundary lines of the patent without argument from the parties. Such an approach has

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[5] In an effort to dismiss Turn-Key's concerns about *sua sponte* claim construction in this case, respondents couch the Federal Circuit's reliance on the "ejection" limitation of paragraph (e) as a "fleeting reference" (Opp. 7) or as "bringing a slightly different perspective" (Opp. 1).

already generated serious concern in the patent community that will only continue to disrupt the expectations of patent holders and accused infringers alike.

Respondents' self-serving efforts to paint the Federal Circuit's practice as routine appellate behavior must fail. The court here denied Turn-Key any forum in which to present its arguments about a significant link in the boundary of its patent – the "ejection" limitation. The court's interpretation of this claim limitation was made without the benefit of any briefing or argument by the parties. Its *sua sponte* concerns regarding paragraph (e) could have been addressed in a manner that did not ignore Turn-Key's right to notice and an opportunity to be heard. Had the parties been asked to provide supplemental briefing on this new issue, the Federal Circuit would have recognized that its interpretation of paragraph (e) conflicted with the patent's description of the invention.

III. This case appropriately raises whether claim construction is a mixed question of law and fact.

A. Respondents make much ado about Turn-Key's standard of review statement in its appellate brief citing *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) (en banc), that "claim construction is a matter of law subject to de novo review." (Plaintiff-Appellant Br. 29). Respondents appear to have forgotten that the issue of the soundness of *Cybor Corp.* only arose in the context of the Federal Circuit's *sua sponte* ruling, which did not occur until **after** the appeal had been briefed and argued. There was no reason for Turn-Key to raise this issue during the appeal.[6] Respondents suggest that Turn-Key should have pursued the issue by petitioning for rehearing en banc. That would only have wasted both Turn-Key's and the court's resources. This is not a

[6] Moreover, although Turn-Key certainly cited the seminal case for the general proposition that claim construction is a legal issue subject to *de novo* review, the reality is that Turn-Key pressed numerous, and obviously compelling, factual arguments with respect to the construction of the term "guide conduit."

situation, as in *Wisniewski v. United States*, 353 U.S. 901 (1957), where an intra-circuit conflict needed to be resolved – *Cybor Corp.* was an en banc decision of the Federal Circuit, and, although there may have been dissenting opinions filed in that case, every panel since has deferred to the en banc decision.

B. Respondents, as well as a majority of the judges on the Federal Circuit, misunderstand the holding of this Court in *Markman*. This Court did not hold that claim construction is a purely legal issue. Rather, the Court, faced with the need to devise a practical solution of where to assign the responsibility of interpreting patents, arrived at a compromise. It decided to "treat [the] issues as purely legal" so that it could rightfully assign claim construction to judges, while at the same time recognizing that judges would have to undertake evidentiary determinations in the course of arriving at the proper interpretation of claims. 517 U.S. at 388-91.

The dangers of adhering to the Federal Circuit's treatment of *Markman* in *Cybor Corp.*, as advocated by respondents, and ignoring the factual underpinnings of claim construction is twofold: (1) there is developing a pattern of limited deference by the Federal Circuit to factual findings of lower courts regarding matters of claim construction, and (2) there is no way to restrain the Federal Circuit from interpreting patents in the vacuum of its limited knowledge and thus potentially arriving at a construction that conflicts with how an ordinarily skilled artisan would understand the invention to function. This case presents a perfect example of the latter danger. Because Turn-Key never had the opportunity to present evidence and argument on how one of ordinary skill in the art of injection molding views the step of "ejecting," the Federal Circuit's interpretation of the "ejection" limitation is flawed and fails to cover any of the preferred embodiments of the patent.

C. Respondents' assertion that there are no material disputed facts is confusing, at best. Certainly, no one was

aware of the brewing factual dispute regarding "ejection" until the Federal Circuit issued its opinion in this case, as none of the parties had previously considered that "ejection" could occur in the manner envisioned by the Federal Circuit. However, given that the Federal Circuit interpreted "ejection" in a manner contrary to the understanding of one of ordinary skill in the art, but favorably to respondents, there certainly is now present in this case a significant factual dispute underlying the interpretation of the "ejection" step of paragraph (e).

IV. The issue of *sua sponte* decisionmaking is of broad significance. Respondents unnecessarily disparage Turn-Key's identification of a conflict between the Federal Circuit's judgment here and the decisions of other state and federal courts rejecting *sua sponte* rulings. Of course no other federal circuit court will have addressed issues relating to patent law as the Federal Circuit is the only appellate court in the country vested with the authority to hear patent appeals; likewise, no state court will have before it a case of patent infringement as all such cases are heard at the federal level. But those cases demonstrate that the issue of *sua sponte* rulings is not confined to patent cases, but has a much broader application that is not limited to a specific subject matter or a particular procedural stance. If the Court should grant the petition, it will have the opportunity to provide guidance on *sua sponte* rulings in a manner that has a broad impact upon judicial practice in this country, or it may choose to confine its decision to the context of patent infringement and validity, which in itself would be a substantial contribution to the development of intellectual property law.

CONCLUSION

For the reasons stated herein and in the petition, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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